



The Next-Generation Heiwa Real Estate: Taking on the Challenge of Becoming a Company That Contributes to Revitalizing Districts

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Heiwa Real Estate's Roles

Heiwa Real Estate was founded in 1947 as the owner of buildings for stock exchanges in Tokyo, Osaka, Nagoya and elsewhere, which play a central role in Japan's financial markets. The Company celebrated its 70th anniversary in July 2017. In my current and former jobs, I have spent a total of more than 40 years in Nihonbashi Kabutocho and Kayabacho, which is the district where Heiwa Real Estate was established, and have watched this neighborhood evolve. The basic mission of a real estate company is to provide an environment of convenience, comfort and safety that allows tenant companies and people to connect and demonstrate their capabilities, and have an affluent life. In other words, developing infrastructure is thought to be the livelihood of real estate companies. Therefore, I have come to believe that since we operate in the

Nihonbashi Kabutocho and Kayabacho areas, we must also focus on enhancing Tokyo's international competitiveness.

We announced our Revitalization Vision for Nihonbashi Kabutocho in 2014, and began creating a district where people connect, and where investment and growth are born. The Company has been located in Nihonbashi Kabutocho and Kayabacho since its establishment, enabling us to inherit and develop the unique qualities of this district. Our goal is "the classic look and feel" of Kabutocho, which is taking shape throughout the district in tandem with the Tokyo Metropolitan Government's ongoing "Global Financial City: Tokyo" vision. Redevelopment of Nihonbashi Kabutocho and Kayabacho is one component of this vision, and helps us fulfill our role of contributing to improving the infrastructure of Tokyo's financial district.

Medium- to Long-term Management Plan Roadmap

We are advancing to our next phase: "Aim to be a company that contributes to revitalizing districts." Our objective is to increase our presence in society and build the foundation for further growth and increased corporate value. We also plan to employ the expertise we acquire through the redevelopment of Nihonbashi Kabutocho and Kayabacho in revitalizing other urban districts.

We achieved all of our numerical targets for Phase I (FY 2014 to FY 2016) of our medium- to long-term management plan. We made preparations for building the foundation for growth in ways such as strengthening of the Building Leasing Business, expanding the fee businesses and enhancing our financial soundness. We made steady progress toward the plan target of consolidated operating income of approximately ¥10 billion.

Phase II from FY 2017 to FY 2019 involves building the foundation for business growth, and the full-scale start of the redevelopment of Nihonbashi Kabutocho and Kayabacho. Through steady progress of the Nihonbashi Kabutocho and Kayabacho Revitalization Project, strengthening of our Building Leasing Business and other initiatives, we aim to achieve sustained growth in corporate value. The revitalization project is a challenging initiative, and the entire Company is pushing forward together in the spirit of creating the next-generation Heiwa Real Estate. We are fortunate that the efforts of our predecessors have given Heiwa Real Estate a stable financial base, but we need to consider our future operating environment and the new initiatives it will require.

Key Strategies: The Nihonbashi Kabutocho and Kayabacho Revitalization Project

We plan to appropriately redevelop this district in two medium-scale stages rather than in a single redevelopment project. As the owner of the Tokyo Stock Exchange Building, our strength is in the relationships of trust we have established with the community, including local companies and governments, through 70 years in the business of leasing buildings in securities and financial districts.

I believe the relationships of trust that all of our employees have established with our customers have provided a solid base for our new initiatives. Heiwa Real Estate will be redeveloping

this district for 10 to 20 years, so I want the employees who are responsible for the Company's next generation to lead this project with a sense of ownership.

The development will provide functions that support the "Global Financial City: Tokyo" vision, including the dissemination of financial information, human resource development, and the promotion of dialogue and exchanges among investors and companies. Creating infrastructure for studying and teaching investment will support the growth of individuals, companies and society. Work on the first project began on May 2019. It was a significant first step for the Kabutocho district. Now under construction with opening scheduled for July 2021, the building is named KABUTO ONE to reflect the idea that Kabutocho was, is and will continue to be the starting point for the Japanese economy.

Objective: Sustained Growth in Corporate Value

Given intensifying competition among the world's cities, we need to create value unique to Heiwa Real Estate and enhance our social presence as a facilitator of Japan's financial districts. While maintaining steady growth, we will continue to evolve by enhancing our development, proposal and planning capabilities in order to take on various new challenges. In addition, I would like Heiwa Real Estate to position itself to contribute significantly to revitalization as part of the "Global Financial City: Tokyo" vision and in other urban districts, and to be a company that contributes more than ever to revitalizing districts.

I hope you will share our enthusiasm as we take on the challenge of creating the next-generation Heiwa Real Estate. We are counting on your continued support.

Hiroyuki Iwakuma

Representative Director and President